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Central Intelligence Agency



Washington, D. C. 20505

DIRECTORATE OF INTELLIGENCE

28 March 1985

Albania: Foreign Commercial Relations

SUMMARY

Albania's trade and financial ties to foreign countries are limited, as is our information about them. Albania refuses to accept trade credits from foreign banks and governments, and conducts its transactions almost entirely through countertrade. Tirane apparently does business with foreign commercial banks to facilitate trade, but we do not believe it has ties to any foreign central banks. [redacted]

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This memorandum was prepared by [redacted] East European Division, Office of European Analysis. Comments and questions are welcome and should be addressed to [redacted] Chief, East European Division, Office of European Analysis, [redacted]

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Foreign Trade

Since the termination of Chinese trade and economic assistance in 1978, Albania has cautiously expanded foreign trade links with other countries to promote economic development while minimizing dependence on any single partner. Neighboring Yugoslavia is Albania's most important single trading partner but accounts for only about 21 percent of total trade. Tirane has divided most of the rest of its trade between Soviet-bloc and developed Western countries. Although Albania has not had commercial relations with the USSR since leaving CEMA in 1961, the Albanians negotiate trade agreements with East European CEMA countries--with Bulgaria, Czechoslovakia, and Romania accounting for most Soviet bloc trade. [REDACTED]

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In recent years the Enver Hoxha regime has shown more interest in increasing imports of Western machinery and equipment to achieve high economic growth through industrialization. Italy, West Germany, Greece, and Sweden are Albania's principal Western trade partners (see table I). [REDACTED]

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Reflecting the regime's ambitious modernization plans, Albanian imports from the developed West concentrate on basic industrial goods (SITC 6), mainly iron and steel, and machinery and transport equipment (SITC 7), including telecommunications gear, and equipment for Albania's extractive industries. The Hoxha regime is banking heavily on the development of domestic mineral resources through imported Western equipment to provide the basis for greater hard currency earnings. Albania's most important export to the developed West is chrome, which provided it with 44% of its hard currency earnings in 1979. Fuels (SITC 3), including petroleum and electricity, are also important exports, but their value has fluctuated widely. [REDACTED]

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Since the Albanian constitution forbids foreign indebtedness, Tirane keeps its foreign trade in balance and generally will contract for imports only when it has arranged sufficient exports to cover the cost. Trade with Yugoslavia and CEMA countries is balanced through bilateral clearing arrangements. In trade with the West, Albania relies heavily on countertrade. [REDACTED]

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Trade transactions are arranged through state foreign trade enterprises organized by sector. [REDACTED]

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[REDACTED] A Western trade journal reports that a number of export enterprises--each providing a different countertrade good--can become involved in a single transaction. [REDACTED]

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Relations with Specific Foreign Firms

We do not have extensive information on Albania's ties with individual foreign firms. [redacted] the constitution (Article 28) can be interpreted to preclude joint ventures. The following are representative examples of Albania's ties with foreign firms. 25X1

- In November 1982 Salzgitter AG of West Germany agreed to develop a nickel mine in Albania. The project, worth \$23 million, was to be financed completely through countertrade. [redacted] 25X1

[redacted] 25X1

- The Japanese firm C. Itoh was negotiating as of 1982 to finish a steel mill in Elbasan, Albania. Payment was to be in chrome. [redacted] 25X1
- The US Consulate in Trieste reported in July 1984 that the following Italian firms were negotiating or conducting business with with Albania: FIAT, Italimpianti, ITALTEL, Montedison, Danieli, EFIM, and FATME. ITALTEL reportedly initialed an agreement to modernize the telephone systems in Tirane and two other cities. Danieli reportedly is assisting in the installation of steel tubing and sheeting facilities at a steel mill. The terms of payment are unknown. [redacted] 25X1

Financial Links

[redacted] 25X1

We have virtually no information on Albania's foreign currency reserves, but we believe they are low. [redacted] 25X1

[redacted]

[REDACTED]

[REDACTED]

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We have no evidence that Albania has any financial ties to foreign central banks. We suspect that Tirane would be ideologically averse to such ties. [REDACTED]

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To our knowledge, Albania has not been involved in any financial scandals since World War II. We have no information on how governments with embassies in Tirane transfer funds to those embassies, nor do we know how Tirane funds its embassies abroad. While Albania has formal relations with over 100 countries, including most of Western Europe, it does not have resident ambassadors in most cases. Tirane uses multiple accreditation partly to keep down hard currency costs. [REDACTED]

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[REDACTED]

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TABLE 1

Albania: Foreign Trade

(million US \$)	1979		1980		1981		1982		1983	
	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports
Total	237.3	275.6	306.6	344.1	296.8	355.2	366.8	341.3	*341.0	350.0
Yugoslavia	28.8	31.0	57.5	57.9	52.9	80.8	73.6	74.4	*67.0	*81.0
Selected Developed West	76.1	99.4	87.8	93.3	96.4	102.1	120.5	106.7	92.0	91.0
of which: US	10.0	10.6	6.9	12.4	6.1	4.5	17.0	3.2	4.0	4.0
Italy	20.7	31.4	23.3	41.7	23.5	44.9	31.5	42.1	28.0	27.0
Greece	12.9	8.5	28.8	10.4	11.9	5.2	12.4	13.2	19.0	9.0
FRG	17.9	20.5	20.4	9.1	26.8	15.4	35.7	17.3	17.0	22.0
France	8.0	6.3	4.9	9.4	7.8	19.9	9.2	15.7	8.0	15.0
Sweden	2.5	18.2	1.7	6.9	14.7	3.4	4.7	3.8	10.0	4.0
UK	0.1	1.5	0.2	3.4	0.1	5.6	0.0	7.7	0.0	5.0
Japan	4.0	2.4	1.6	0.0	5.5	3.2	10.0	3.7	6.0	5.0
Eastern Europe	108.3	111.1	130.6	130.1	112.3	123.3	132.4	122.4	131.1	143.9
of which: Bulgaria	9.8	8.9	11.5	13.0	10.9	11.7	20.3	20.1	14.2	17.8
Czechoslovakia	33.5	29.2	32.7	31.6	39.4	31.2	35.1	34.3	37.9	40.1
GDR*	17.5	17.5	17.4	17.4	18.3	18.3	20.5	20.5	24.2	24.2
Hungary	6.2	6.9	9.3	6.3	8.3	10.0	11.4	11.7	8.6	10.1
Poland	19.8	20.0	22.0	27.7	17.5	24.4	17.9	14.6	14.8	17.7
Romania	21.5	28.6	37.7	34.1	18.2	27.7	27.2	21.2	31.4	34.0
Others*	24.1	34.1	22.1	62.8	35.2	49.0	40.3	37.8	50.9	34.1

* Estimate

Source: United Nations, Official Trade Handbooks